TITLE 18. ENVIRONMENTAL QUALITY CHAPTER 15. WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

A. Introduction

WIFA is initiating this rulemaking to ensure that rule reflects the current governing statutes and to satisfy commitments stated in WIFA's October 2007 five-year-review report. The following three statutory changes have been implemented since the previous rulemaking effective December 4, 2001:

- 1) HB 2235, May 2002 Established that counties with less than 500,000 persons are eligible to receive grants, staff assistance or technical assistance in the form of a loan repayment agreement or other professional assistance;
- 2) HB 2159, May 2006 Established that political subdivisions with a population of 50,000 persons or less may pledge revenues for repayment of financial assistance without an election; and
- 3) HB 2692, June 2007 Established the Water supply Development Revolving Fund to be administered by the Authority.

In addition to adding "new" provisions of law, this rule restructures the content of the current rule by adding, amending and eliminating sections. Redundancy between each Article of the current rule was removed; providing a more direct presentation of the required actions and processes of applying for, evaluation of and receiving financial or technical assistance from WIFA. Common requirements for the application for financial assistance for each of the revolving fund programs are specified in Article 1, with the content unique to the Clean Water, Drinking Water and Water Supply Development Revolving Fund Programs specified in Articles 2, 3 and 4, respectively. Technical assistance remains described in Article 5. Clarification was provided for the Hardship Grant Fund Program described in Article 6 and amendments to the citations were made to Article 7.

The new rule requires little change in the way WIFA is currently operating and providing financial assistance and technical assistance.

C. Section-by-Section Explanation of the Rule

ARTICLE 1

Article 1 is restructured to provide general information on WIFA in a single location and to clearly specify the financial and technical assistance available from the Authority. The title of Article 1 was changed to "General Provisions" to reflect the nature of the restructure. This article focuses on the processes and requirements that are common between the Clean Water Revolving Fund Program, Drinking Water Revolving Fund Program and Water Supply Development Revolving Fund Program. This rule removes redundancy in the current rule and provides a clearer understanding to the reader regarding WIFA's programs and processes.

R18-15-101 Definitions

The definitions that apply to all of Chapter 15 are located in this Section. The use of one Section for all definitions gives the reader a WIFA "dictionary" in a single location. R18-15-101 is revised by adding or amending those definitions necessary to interpret the requirements of this rule and by deleting definitions that are no longer necessary or applicable to interpret this rule.

The 21 new or modified terms for implementation of this new rule are:

"Applicant," "Application," "Committee," "Financial assistance," "Financial assistance agreement," "Fundable Range," "Grant applicant," "Grant application," "Intended Use Plan," "Priority List," "Priority Value," "Professional Assistance," "Project," "Recipient," "Staff Assistance," "Technical assistance," "Technical assistance Grants," "Water provider," "Water supply development, and" "Water Supply Development Revolving Fund."

The following 9 terms are no longer applicable and have been eliminated form this rule:

"Approval to Construct," "Equivalency Project," "First Use Project," "Infiltration," "Preconstruction," "Replacement," "Regulatory authority," "State match, and" "User Charge."

R18-15-102 Types of Assistance Available

(New Section with incorporation of current rule R18-15-201, -301 and -401)

- Established the different programs for which financial and technical assistance is available.
- Specified the types of financial and technical assistance available.
- Removed redundancy from the current rule by listing the types of assistance available in a single location in Article 1 instead of three separate sections (*current rule R18-15-201-301 and -401*).
- Clarified the types of financial and technical assistance available. The current rule includes uses of monies in the Clean Water and Drinking Water Revolving Funds when those purposes are clearly specified in statute (A.R.S. §§ 49-1223 and 49-1243). Therefore, the following uses of monies which do not correlate to financial or technical assistance were eliminated since the current rule.
 - Security as a source of repayment on bonds,
 - Guarantees of debt obligations,
 - Investments to earn interest,
 - Payments of costs to administer the CW and DW fund, and
 - Other uses as additional funds are made available

R18-15-103 Application Process

(Formerly R18-15-102)

- Renumbered in the new rule. Minor changes were made to improve clarification on directing readers to the Articles that contain information on the specific program of interest.
- Clarified how WIFA will identify and mark confidential information.

R18-15-104 General Financial Assistance Application Requirements

(Formerly R18-15-103, -104, -105 & -106)

- Established the common requirements an applicant must include with the application for financial assistance for the Clean Water Revolving Fund, Drinking Water Revolving Fund and Water Supply Development Revolving Fund Programs. The application requirements included in this section incorporate content from the current rule (R18-15-103, -104, -105 and -106).
- Moved reference to the Board's action regarding an application for financial assistance to the Article for each revolving fund program, R18-15-207, -307 and -407, respectively.
- New Rule Subsection (B) Legal Capability:
 - Clarified the authorized "election" information required to be provided with the application for financial assistance.
 - Added the "new" provision of law regarding what documentation must be provided when the applicant is not required to hold an "election" to incur indebtedness.
- New Rule Subsection (C) Financial Capability:
 - Amended the minimum number of years from five to three the applicant must provide their financial statements, audit or comprehensive financial statements and budget.
 - Moved the requirement to provide a cost estimate, number of connections and a copy of capitol
 improvement plan to technical capability in subsection (D).
 - Moved the requirement to provide an estimated disbursement schedule to R18-15-105.

R18-15-105 General Financial Assistance Conditions

(New Section with incorporation of current rule R18-15-110)

- Establishes actions required prior to the execution of the financial assistance agreement.
- Established general conditions of the financial assistance agreement.
- Incorporated the content of current rule, *R18-15-110*, into this section

- Eliminated the current rule section *R18-15-108* (*Interest Rate Determination*):
 - Current rule does not expand beyond the statute, A.R.S. §§ 49-1225(B)(2) or 49-1225(C), and does not specify how the interest rate is specifically determined. Details on setting and determining interest rates are currently in WIFA Policy, approved by the Board at a public meeting.
- Eliminated the current rule section *R18-15-109* (*Bid Document Review*):
 - The Authority determines whether bids are necessary to be provided based on the type of project funded and stage of the project. The Authority specifies whether bid documents are necessary to be provided to the Authority in the financial assistance agreement.
- Eliminated the current rule section *R18-15-111 (Administration)*:
 - The current rule is redundant of the A.R.S. §§ 49-1223(A)(4), 49-1243(A)(5), and 49-1203(B)(14) and the Authority specifies uses of funds from the Clean Water and Drinking Water Revolving Funds as part of the annual Intended Use Plans, including the amount of funds allocated for administration of the Authority.

R18-15-106 Environmental Review

(Formerly R18-15-107)

• Renumbered in the new rule. This section provides a summary of the environmental review requirement. Minor amendments were made to provide clarification to the role of the Authority and of the applicant in the environmental review process.

R18-15-107 Disputes

(Formerly R18-15-112)

■ Renumbered in the new rule. Clarified the dispute process and excluded Article 5 from the process since there is a separate "remedies" process per the state grant code. The "remedies" process is referenced in the new rule, R18-15-503(H), R18-15-504(H) and R18-15-505(H).

R18-15-113 Repealed

(No change)

ARTICLE 2

Article 2 is restructured to identify the content unique to the Clean Water Revolving Fund Program and the required actions and process of applying for, evaluating and receiving financial assistance from the Clean Water Revolving Fund. The restructure removes redundancy in the current rule.

R18-15-201 Clean Water Revolving Fund Financial Assistance Eligibility

(Formerly R18-15-202)

- Specified the eligibility criteria that must be met in order to receive financial assistance. For simplification, the current rule text, which repeats the statute text, is replaced with the statute citation A.R.S. §49-1223(A). Statute clearly outlines the eligible types of financial assistance available and any specific requirements.
- Incorporated portions of the current rule, R18-15-201 and R18-15-202(A), into this section.
- Moved current rule, R18-15-202(B) and R18-15-202(C), to the new rule section R18-15-206.

R18-15-202 Clean Water Revolving Fund Intended Use Plan

(Formerly R18-15-203)

- Renumbered and amended the Intended Use Plan requirements and process.
- Moved current rule R18-15-204 (E) & (F) to this section and replaced holding of a public meeting with a public comment period as per the federal regulations.

R18-15-203 Clean Water Revolving Fund Priority List

(Formerly R18-15-204)

- Specified the actions required by the applicant and Authority regarding the Clean Water Revolving Fund Priority List.
- Moved portions of the current rule, *R18-15-204*, to this new section.
- Moved the list of items included on the Priority List from the current rule, *R18-15-203*, to this new section and modified the items to be included on the Priority List.
- Established that the criteria for ranking and the relative importance for each criterion to be included with the project priority list request form.
- Moved current rule, R18-15-204(E) & (F), to new rule section R18-15-202.

R18-15-204 Clean Water Revolving Fund Priority List Ranking

(Formerly R18-15-205)

- Established the categories by which the Authority shall determine the Priority Value of each Priority List project and that the Authority shall use the Priority Value to rank each project.
- Replaced the detailed ranking criteria from the current rule *R18-15-205* with six ranking categories.
 - As specified in the new rule, R18-15-203, the project priority list request form will include the
 detailed criteria under the six ranking categories that each project will be evaluated.
 - On an annual basis (i.e. each funding cycle), the Authority will re-evaluate the detailed criteria and include the criteria in the annual Intended Use Plan. All project priority list requests during a funding cycle will be evaluated on the same criteria.
- Replaced the Conservation Index referenced in the current rule with a Sustainability Index.
- Replaced using the current cost per benefitting connection in the current rule, *R18-15-205(B)*, for prioritizing tied projects with use of the combined Priority Value of the Current Conditions and Water Quality Improvement categories.
- Added clarification on determination of the subsidy rate index.

R18-15-205 Clean Water Revolving Fund Fundable Range for Financial Assistance (Formerly R18-15-206 and R18-15-207)

- Specified the evidence by which the Authority will determine when a project is within the Fundable Range and the requirements necessary prior to an applicant submitting an application for financial assistance.
- Removed redundancy in the current rule regarding the Fundable Range.
 - Modified how projects within the Fundable Range are identified on the Priority List. As specified in the new rule, R18-15-203, the Priority List will include which projects are within the Fundable Range. Eliminated the creation of a separate Fundable Range Priority List.
 - Eliminated a separate Fundable Range for Design Financial Assistance, current rule R18-15-206, and Fundable Range for Construction Financial Assistance, current rule R18-15-207.

R18-15-206 Clean Water Revolving Fund Application for Financial Assistance (New Section)

- Established when the Authority shall accept an application for financial assistance and the requirements the applicant shall meet prior to the Authority providing an application to the Board for consideration.
- Incorporated portions of the current rule, R18-15-202(B), into this section.

Provided that Short-term emergency loan pursuant to A.R.S. 49-§1269 are excluded from the requirements.

R18-15-207 Clean Water Revolving Fund Financial Assistance Application Review (New Section)

- Specified the information the Authority shall provide in the analysis of the application for the Board's consideration.
- Specified the available actions the Board may take on the application.
- Moved the items the Board shall consider in an application for financial assistance from four separate sections of the current rule (*R18-15-103*, *-104*, *-105*, *and -106*) to a single section in the new rule. The rule restructure separates requirements of the Board from the requirements of the applicant.
- Moved the authorization of the Board to modify the financial assistance based on the capability requirements of the applicant from four separate sections of the current rule (R18-15-103, -104, -105, and 106) to a single location in the new rule.
- Restructured how projects will be funded when funds are limited by replacing the current rule R18-15-202(C).

R18-15-208 Clean Water Revolving Fund Requirements

(Amended only)

- Specified certification requirements of the applicant and that all projects shall comply with applicable federal laws.
- Eliminated the current rule, *R18-15-208* (*A*). The financial assistance agreement specifies all the applicable federal laws, including the Clean Water Act that the project and applicant must follow.
- Eliminated the current rule, R18-15-208(B) & (C). The financial assistance agreement specifies that each facility or system shall have adequate user charges to produce revenues for operation and maintenance.

ARTICLE 3

Article 3 is restructured to identify the content unique to the Drinking Water Revolving Fund Program and the required actions and process of applying for, evaluating and receiving financial assistance from the Drinking Water Revolving Fund. The restructure removes the redundancy in the current rule.

R18-15-301 Drinking Water Revolving Fund Financial Assistance Eligibility (Formerly R18-15-302)

- Specified the eligibility criteria that must be meet in order to receive financial assistance. For simplification, the current rule text which repeats the statute text is replaced with the statute citation A.R.S. §49-1243(A). Statute clearly outlines the eligible types of financial assistance available and any specific requirements.
- Incorporated portions of the current rule, R18-15-301 and R18-15-302(A), into this section.
- Moved current rule, R18-15-302(B) and R18-15-302(C), to the new rule section R18-15-206.

R18-15-302 Drinking Water Revolving Fund Intended Use Plan

(Formerly R18-15-303)

- Renumbered and amended the Intended Use Plan requirements and process.
- Moved current rule R18-15-304 (E) & (F) to this section and replaced holding of a public meeting with a public comment period as per the federal regulations.

R18-15-303 Drinking Water Revolving Fund Priority List

(Formerly R18-15-304)

- Specified the actions required by the applicant and Authority regarding the Clean Water Revolving Fund Priority List.
- Moved portions of the current rule, *R18-15-304*, to this new section.
- Moved the list of items included on the Priority List from the current rule, *R18-15-303*, to this new section and modified the items to include on the Priority List.
- Established that the criteria for ranking and the relative importance for each criterion to be included with the project priority list request form.
- Moved current rule, R18-15-304(E) & (F), to new rule section R18-15-302.

R18-15-304 Drinking Water Revolving Fund Priority List Ranking

(Formerly R18-15-305)

- Established the categories by which the Authority shall determine the Priority Value of each Priority List project and that the Authority shall use the Priority Value to rank each project.
- Replaced the detailed ranking criteria from the current rule R18-15-305 with six ranking categories.
 - As specified in the new rule, R18-15-303, the project priority list request form will include the
 detailed criteria under the six ranking categories that each project will be evaluated.
 - On an annual basis (i.e. each funding cycle), the Authority will re-evaluate the detailed criteria and include the criteria in the annual Intended Use Plan. All project priority list requests during a funding cycle will be evaluated on the same criteria.
- Replaced the Conservation Index referenced in the current rule with a Sustainability Index.
- Replaced using the current cost per benefitting connection in the current rule, *R18-15-305(B)*, for prioritizing tied projects with use of the combined Priority Value of the combination of Current Conditions and Water Quality Improvement categories.
- Added clarification on determination of the subsidy rate index.

R18-15-305 Drinking Water Revolving Fund Fundable Range for Financial Assistance (Formerly R18-15-306 and R18-15-307)

- Specified the evidence by which the Authority will determine when a project is within the Fundable Range and the requirements necessary prior to an applicant submitting an application for financial assistance.
- Removed redundancy in the current rule regarding the Fundable Range.
 - Modifies how projects within the Fundable Range are identified on the Priority List. As specified in the new rule, R18-15-303, the Priority List will include which projects are within the Fundable Range and eliminates the creation of a separate Fundable Range Priority List.
 - Eliminated a separate Fundable Range for Design Financial Assistance, current rule R18-15-306, and Fundable Range for Construction Financial Assistance, current rule R18-15-307.

R18-15-306 Drinking Water Revolving Fund Application for Financial Assistance (New Section)

- Established when the Authority shall accept an application for financial assistance and the requirements the applicant shall meet prior to the Authority providing an application to the Board for consideration.
- Incorporated portions of the current rule, *R18-15-302(B)*, into this section.
- Provided that Short-term emergency loan pursuant to A.R.S. 49-§1269 are excluded from the requirements.

R18-15-307 Drinking Water Revolving Fund Financial Assistance Application Review (New Section)

- Specified the information the Authority shall provide in the analysis of the application for the Board's consideration.
- Specified the available actions the Board may take on the application.
- Moved the items the Board shall consider in an application for financial assistance from four separate sections of the current rule (*R18-15-103*, *-104*, *105*, *and -106*) to a single section in the new rule. The rule restructure separates requirements of the Board from the requirements of the applicant.
- Moved the authorization of the Board to modify the financial assistance based on the capability requirement of the applicant from four separate sections of the current rule (R18-15-103, -104, -105, and -106) to a single location in the new rule.
- Restructured how projects will be funded when funds are limited by replacing the current rule R18-15-302(C).

R18-15-308 Drinking Water Revolving Fund Requirements

(Amended Only)

- Specified certification requirements of the applicant.
- Eliminated the current rule, *R18-15-308(A)*. The financial assistance agreement specifies all the applicable federal laws, including the Safe Drinking Water Act that the project and applicant must follow.
- Eliminated the current rule, *R18-15-308(B)*. The financial assistance agreement specifies that each facility or system shall have adequate user charges to produce revenues for operation and maintenance.

ARTICLE 4

The current rule sections *R18-15-401*, *-402* and *-403* are no longer necessary as a result of the restructure of the new rule. Therefore, the current rule text was replaced by the newly established Water Supply Development Revolving Fund. This Article establishes the required actions and process of applying for, evaluating and receiving financial assistance from the Water Supply Development Revolving Fund and specifies the content unique to the Water Supply Development Revolving Fund Program. The structure of the Water Supply Development Revolving Fund follows the structure of the Drinking Water Revolving Fund.

A.R.S. § 49-1202(B) established the water supply development fund committee (Committee) consisting of 13 members to make determinations of financial assistance on water supply development projects.

R18-15-401 Water Supply Development Revolving Fund Financial Assistance Eligibility (New Section)

■ Established the eligibility criteria that must be meet in order to receive financial assistance. New rule references statute citations that include the eligibility requirements, A.R.S. §§ 49-1273(A) and 49-1273(C).

R18-15-402 Water Supply Development Revolving Fund Intended Use Plan (New Section)

 Established the requirements and processes for developing and publishing the annual Water Supply Development Intended Use Plan.

R18-15-403 Water Supply Development Revolving Fund Priority List

(New Section)

• Established the actions required by the applicant for requesting placement on the Water Supply Development Revolving Fund Priority List.

- Established the actions required by the Authority regarding development of the Water Supply Development Revolving Fund Priority List.
- Established that the criteria for ranking and the relative importance for each criterion to be included with the project priority list request form.

R18-15-404 Water Supply Development Revolving Fund Priority List Ranking (New Section)

- Established the categories, per A.R.S. §49-1274(B)(3), by which the Authority shall rank each Priority List project and determine the Priority Value of each project.
 - As specified in new rule R18-15-403, the project priority list request form will include the detailed criteria under the ranking categories that each project will be evaluated.
 - On an annual basis (i.e. each funding cycle), the Authority will re-evaluate the detailed criteria and include the criteria in the annual Intended Use Plan. All project priority list requests during a funding cycle will be evaluated on the same criteria.
- Established that the Authority shall use the Priority Value to rank each project and that prioritization of tied projects will be determined by the Sustainability Index and Water Demand categories.
- Established how the Authority shall determine the subsidy rate index, if funds are available to provide a subsidy.

R18-15-405 Water Supply Development Revolving Fund Fundable Range for Financial Assistance (New Section)

- Established the evidence by which the Authority will determine when a project is within the Fundable Range. As specified in new rule R18-15-403, the Water Supply Development Priority List will include which projects are within the Fundable Range.
- Established requirements that must be met prior to an applicant submitting an application for financial assistance.

R18-15-406 Water Supply Development Revolving Fund Application for Financial Assistance (New Section)

 Established when the Authority shall accept an application for financial assistance and the requirements the applicant shall meet prior to the Authority providing an application to the Committee for consideration.

R18-15-407 Water Supply Development Revolving Fund Financial Assistance Application Review (New Section)

- Established the information the Authority shall provide in the analysis of the application for the Committee's consideration.
- Established the actions the Committee may take on the application.
- Established the actions the Committee shall take if funds are limited or not available to provide financial assistance.

R18-15-408 Water Supply Development Revolving Fund Requirements

(New Section)

Specified certification requirements of the applicant.

ARTICLE 5

Article 5 is restructured to provide a clearer understanding of the technical assistance available and the required actions and process of applying for, evaluating and receiving technical assistance and Technical Assistance Grants. The major difference between the current rule and new rule is Technical Assistance Grants will be

solicited and awarded per the state grant code, A.R.S. § 41-2702. The use of the state grant code will not cause any major changes in the current WIFA process.

R18-15-501 Technical Assistance Programs

(New Section)

• Specified the three programs under which the Authority may provide technical assistance. The programs include the Clean Water Technical Assistance Program, Drinking Water Technical Assistance Program and Water Supply Development Technical Assistance Program.

R18-15-502 Technical Assistance Intended Use Plan

(Formerly R18-15-501)

- Renumbered from the current rule *R18-15-501*.
- Clarified the purpose of the Intended Use plan for each Technical Assistance Program,
- Amended the items included in the Intended Use Plan and process for approval of the Intended Use Plan.
- Clarified that each Technical Assistance Program Intended Use Plan shall identify available funding for Technical Assistance Grants, Staff Assistance, and Professional Assistance.
- Replaced holding of a public meeting regarding the Technical Assistance Intended Use Plan with a public comment period.

R18-15-503 Clean Water Technical Assistance Grants

(Formerly R18-15-501)

- Established that the Authority will solicit and award Technical Assistance Grants per the state grant code, A.R.S. § 41-2702.
- Established the required actions and process of applying for, evaluating and receiving Technical Assistance Grants.
- Incorporated a portion of the eligibility requirements specified in current rule, *R18-15-502*, into this section. Most of the current rule sections related to Clean Water technical assistance were eliminated as they are rendered moot by the incorporation of the state grant code into this Article.
 - The current rule sections eliminated by the new rule include: *R18-15-503*, *R18-15-504*, *R18-15-505*, *R18-15-506* and -507.
- Specified that the evaluation criteria for the grant applications will be included in the request for grant applications. Therefore, the detailed ranking criteria were eliminated from the current rule, R18-15-505, and are replaced with four ranking categories.

R18-15-504 Drinking Water Technical Assistance Grants

(Formerly R18-15-501)

- Established that the Authority will solicit and award Technical Assistance Grants per the state grant code, A.R.S. § 41-2702.
- Established the required actions and process of applying for, evaluating and receiving Technical Assistance Grants.
- Incorporated a portion of the eligibility requirements specified in current rule, *R18-15-502*, into this section. Most of the current rule sections related to Drinking Water technical assistance were eliminated as they are rendered moot by the incorporation of the state grant code into this Article.
 - The current rule sections eliminated by the new rule include: *R18-15-503*, *R18-15-508*, *R18-15-509*, *R18-15-510*, and *R18-15-511*.

Specified that the evaluation criteria for the grant applications will be included in the request for grant applications. Therefore, detailed ranking criteria were eliminated form the current rule, R18-15-509, which is replaced with four ranking categories.

R18-15-505 Water Supply Development Technical Assistance Grants

(New Section)

- Established that the Authority will solicit and award Water Supply Development Technical Assistance Grants per the state grant code, A.R.S. § 41-2702.
- Established the required actions and process of applying for, evaluating and receiving Technical Assistance Grants. The section was structured to follow the same format as the new rule sections R18-15-503 and R18-15-504.

ARTICLE 6

Article 6 is restructured to correlate to changes included in the new rule. Initial funding for the Hardship Grant Fund was provided as a one time grant by EPA and the grant funds have been allocated or committed to a project. WIFA does not anticipate receiving additional funds for the Hardship Grant Fund Program. As a precautionary measure, the restructure of this Article establishes the Authority's actions if additional funds are received per statutory authority for the Hardship Grant Fund Program.

R18-15-601 Hardship Grant Fund Administration

(New Section)

- Specified that the Authority shall create a separate account for the Hardship Grant Fund Program and describes for what purposes the funds shall be used.
- Established that if funding is available from the Hardship Grant Fund account, the Authority shall identify the amount of funding available for the funding cycle in the Clean Water Revolving Fund Intended Use Plan prepared according to R18-15-202.

R18-15-602 Hardship Grant Fund Financial Assistance

(New Section)

• Established that if funding is available, the Authority shall determine which projects on the Clean Water Revolving Fund Priority List developed per R18-15-203 are eligible to receive financial assistance from the Hardship Grant Fund Program.

R18-15-603 Hardship Grant Fund Technical Assistance

(New Section)

Established that if funding is available from the Hardship Grant Fund account, the Authority shall identify in the request for grant application the amount of funding available for operation and maintenance of wastewater systems.

ARTICLE 7

Only the rule citations were amended to conform to the new rule citations.